

Radford K. Snelding, City Auditor
City of Las Vegas

ITEM RESPONSES to REVIEW
of FINANCIAL and MANAGERIAL ISSUES

I. REVIEW OF FINANCIAL AND MANAGERIAL ISSUES

A. FINANCIAL CONTROLS

1. Cash and Financial Controls

As stated previously, our contract was meant for 10,000 animals, we receive over 20,000, each year. We operated on a "most needed" basis - with animal care being our first priority. There was not enough money, and therefore office staff, to maintain the accounting department to the level desired.

- When the independent audit report came out in 1999, our controller, at that time, established a budget and gave monthly reports to the managers. Our Board voted on a new budget when we moved to the new facility.
- In response to the auditor's recommendation to segregate duties, the bank statements are sent directly to our treasurer who reviews them before giving them to our controller.
- Again, the practice of management approving time cards has come and gone through the years, depending on the controller in charge.
- After noted in the audit, a past controller started a manual, as time would allow. It has been completed and is being reviewed by our current controller.
- Throughout the years, the practice of recording safe drops was in place at the discretion of the current controller. It is in place at this time.
- No one on the Board is an accountant, so the Controller was hired and directed to provide the controls and accountability needed. Throughout the years, we have had excellent controllers and poor controllers. We have brought consistency to this department by creating a Financial Committee and hiring an outside CPA to oversee the hiring, training and work of our controllers.
- See above..
- We have a policy of daytime deposits in order to obtain an immediate verification of deposit and to protect employees from theft or injury. Due to daily workload and late hours, it would

occasionally be several days before anyone had the opportunity to make a deposit. Deposits were kept in the safe.

2. This was an old building issue. Occasionally, employees were doing remote adoptions and came in after we had secured the front office. One controller determined that my office was the most secure place to deposit any adoption money.
3. We have always had the policy that only the President and Controller would have the combination to the bottom safe. It was right before we moved to the new building that we had the unusual circumstance that three different employees had held the controller position.
4. This is also an old building issue. Our new building has locked storage units and closets. We also have an alarm system. The two major thefts we have had since our move are related to employee dishonesty that could not be protected against. To help reduce employee theft, we are asking the City if they would assist us with background checks.
5. I did not inform the City auditors of the theft. I did inform a City investigator, who advised me that I could keep it internal, if I did not wish to prosecute. Based on past reluctance of the court to prosecute and get a return of stolen money, I decided to offer the individual the opportunity to return the money and get medical help. I am pleased both things happened. After medical treatment, the employee returned for a short time to train a replacement.

B. FINANCIAL TRANSACTIONS

1. Computer software problems
2. Bank error
3. No clarification needed
4. Probate money is either designated for a specific program, e.g.: Building Fund, Spay/Neuter or it is for operations. An employee never determines the choice of where it is spent.
5. When I was doing double duty in both Las Vegas and Phoenix, my salary was doubled by a Phoenix pet food corporation who funded the raise. After receiving the City contract, I reduced my duties to focus on the City shelter needs, and consequently, I voluntarily cut my salary back in half. Our volunteer CPA picked up the previous year's salary when he filed our tax return. We amended the return to show my actual salary. I assume he would have filed the correct amended return, but I cannot now find him to verify it.

C. LICENSING DEPARTMENT

1. I would not have told an employee we lost \$51,000 when we made \$21,000.

7. This is a perfect example of the "witch hunt" mentality of these accusations. Animal Foundation has never done business with that pharmaceutical company to even be qualified to receive a rebate. That accusation came from someone fraudulently obtaining our private tax return and broadcasting a trumped up charge that had no basis in fact.

II. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

1. It is my position that from the first day of our contract the Foundation has never had the physical or budgetary environment to maintain the accountability and controls we would have all liked. We labored in a shelter meant for one quarter of the animals we housed and with a budget meant for one half the animals served. In spite of these handicaps, I am very proud that we managed to increase adoptions from 1500 yr. to over 9,000 in a year and decrease euthanasia from 55% down to 33%. Plus design, fund and build a state of the art shelter to remedy the bad situation we inherited. Controls and accountability have greatly improved since we moved into our new facility, but will never be all we want them to be until we are properly funded, either through an increase to our City contract or through future licensing income.
2. Before we begin our community campaign to license pets, we will meet with City, plus outside, computer and accounting experts to establish the software and accounting systems we will need to gain controls and eliminate errors.
3. See above.
4. The financial reports we have been providing the City are designated by department: Shelter, Clinic, Licensing, Administration, and Building Fund. We are happy to make any adjustments necessary to further clarify departmental income and expenses

RECOMMENDATIONS

1. - 5. I fully agree with all recommendations.

2. Licensing is an opportunity that we are only now able to fully develop. It was given to us in 1998. At that time, the City had an old computer system that required us to enter licenses in three different systems. We ceased promoting outside sales of licenses until we could establish records and controls that were cost effective. Now, that we are in the new facility and the City is able to give us a disc for renewals, we will initiate a comprehensive licensing campaign this winter.

D. RELATED PARTY TRANSACTIONS

1. Animal Foundation began in 1988, after my first visit to our local pound where I saw the tragedy of pet over-population. I came home and told my husband that we had to do something for those animals. We started a very small group with no money. My husband was Chairman of the Board (three members) and I was President. We were intense, and within 6 months, we brought a low cost spay & neuter clinic to the Las Vegas community. Our success brought increase demands for our time and services. Throughout the years, it has been my family rallying behind me whenever I needed them. I could always count on them. It was a family effort. They always worked harder and made less than anyone else did in that position.
2. As our success in Las Vegas gained national attention, a national pet food company gave us an opportunity to make money for our animal work: open vaccination clinics in their pet food stores. No one had ever done this on a national scale. We had no way of knowing if we would make or lose money. Rich agreed to launch the project at no pay and entered into a contract with the pet food company, and the Board to pay him 10% of any money realized.
3. An independent auditor issued this statement to the Board:
"It came to our attention during the course of our audit that some people were concerned with the contract entered into by the Foundation with Rich Herro, the Executive Director's husband. As part of the audit, that contract was reviewed and it was found that it was reasonable. The relationship and amount are disclosed in the financial statements."
Rich could have made much more money. He is responsible for making the deal 10% him and 90% Animal Foundation.
4. Once again, Rich was called upon to initiate the program at no pay except 10% of money realized.
5. No additional clarification needed to refute allegation.
6. Yes.